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## IN THIS ISSUE—

Some Aspects of State Control  
of Local Finance

By T. F. HAYGOOD  
*University of Louisville*

Motor Transportation  
in the South

By MILTON S. HEATH  
*University of North Carolina*

Book Review

By BROADUS MITCHELL  
*Johns Hopkins University*

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## CONTENTS

### PART I. THE REGULATION OF PUBLIC UTILITIES

- The Functions of State Regulation*, by PRESTON S. ARKWRIGHT, President, Georgia Power Company.  
*The O'Fallon Decision*, by E. A. KINCAID, University of Virginia.  
*The Control of Public Utility Holding Companies*, by JAMES C. BONBRIGHT, Columbia University.

### PART II. THE PROBLEMS OF AGRICULTURE

- The Socialization of Russian Agriculture*, by CALVIN B. HOOVER, Duke University.  
*The Historical Background of the Present Situation in Southern Agriculture*, by EVERETT E. EDWARDS, Bureau of Agricultural Economics, Washington.  
*The Efficiency of Self-Help: a Socio-Economic Study of Southern Master Farmers*, by WILSON GEE, University of Virginia.

### PART III. PRESIDENTIAL ADDRESSES

- Some Needs of the Changing South*, by WALTER J. MATHERLY, University of Florida.  
*The American System*, by IRBY HUDSON, Vanderbilt University.

### PART IV. THE INDUSTRIAL REVOLUTION IN THE SOUTH

- The Flow of Capital to Southern States*, by LEE BIDGOOD, University of Alabama.  
*Effects of Industrialization on Labor*, by G. T. STARNES, University of Virginia.  
*The Economic Effects of the Growth of Manufacturing*, by T. N. CARVER, Harvard University.  
*The South's Industrial Structure and Business Fluctuations*, by CLARK WARBURTON, Emory University.

### PART V. THE CHAIN STORE MOVEMENT

- The Chain Store Method of Distribution*, by ALBERT H. MORRILL, President, Kroger Grocery and Baking Company.  
*The Independent Merchant versus the Chain Store*, by CARL N. SCHMALZ, Assistant Director, Bureau of Business Research, Harvard University.  
*Some Economic Aspects of Chain Stores*, by EMORY Q. HAWK, Birmingham-Southern College.

Price \$2.00.

by T. F. Haygood

## SOME ASPECTS OF STATE CONTROL OF LOCAL FINANCE\*

Local governments in the United States have an importance far greater than has been accorded them during the depression. These jurisdictions for the most part protect the public, maintain the poor, apprehend those committing the more serious crimes, administer the schools, and build the roads. Usually they spend a sum of money equal to the combined costs of the national and the 48 state governments,<sup>1</sup> and the significance of their number is indicated by available data. New York State, according to President Roosevelt,<sup>2</sup> has 13,544 tax-levying bodies; Minnesota has 10,543;<sup>3</sup> and Ohio is subdivided into 4,302 governmental units.<sup>4</sup> Texas is composed of 254 counties alone. Local administrative bodies are so different in function that perhaps four to six layers of government on the average are superimposed on every person in the country.

This multiplicity of jurisdiction has given rise to such costly administration that public officials, taxpayers, students of government, and the general public are all searching for methods to improve the situation. No less than half of the states have made or are making studies of local government in an effort to pare down their costs.<sup>5</sup> Indeed, so much interest has been shown in overhauling the whole system of government that the Municipal Finance Conference, composed of bankers, business men, public officials, and municipal experts, recently called upon Congress and the President of the United States to provide for a federal commission which would be empowered to

\* The investigation in this paper was financed partly by a grant from the Social Science Research Council. Data for Virginia and Ohio not specifically credited were obtained by personal interviews with officials in those states.

<sup>1</sup> *New York Times*, January 8, 1933.

<sup>2</sup> Address, August 27, 1933, Poughkeepsie, New York.

<sup>3</sup> There are 87 counties, 94 cities, 634 villages, 1,973 towns, and 7,755 school districts, according to Professor William Anderson, in "The Reorganization of Local Government in Minnesota," *Minnesota Municipalities*, February, 1933.

<sup>4</sup> Radio address, D. O. Heeter, Statistician, Office, Auditor of State, August 28, 1933.

<sup>5</sup> See T. F. Haygood, "State Control of Local Expenditures through Centralization of Financial Statistics," *Tax Magazine*, August and September, 1933.

study the revenue systems of all the branches of government and to make recommendations.<sup>6</sup>

There have been many attempts to work out programs of state control over local finances but, broadly speaking, they appear to divide themselves into two general classes—those efforts directed toward changing governmental boundaries or areas, and those plans for controlling local finance through administrative devices for supervision of financial activities. The second class, which alone will be discussed here, includes: (1) constitutional and statutory provisions imposing limitations on debts, tax levies, etc.; (2) legal provisions for budgets; and (3) requirements that local bodies install accounting systems and make financial reports to some state agency. Most attention will be given the third type of control.

States impose various restrictions on the indebtedness of their counties. In Indiana, Kentucky, Utah, and Wyoming the bonded debts may not exceed 2 per cent of the assessed valuation of property. In Washington, the maximum is 1.5 per cent unless consent of three-fifths of the voters is obtained. New York and Nevada place the limit at 10 per cent of the assessed valuation, but in Nevada approval of two-thirds of the voters may increase the percentage by five. In Pennsylvania the figure of 2 per cent may be increased to a maximum of 10 by vote of the people.<sup>7</sup> West Virginia has had an interesting experience in tax-limit legislation. The voters approved a tax-limit amendment in 1933 and the legislature apportioned the levy between state, counties, cities, boards of education, and other tax districts. Recently a court decision upheld the law, and required the cities to use their already insufficient tax collections for the payment of debt obligations. As a result, many city halls were closed by municipal authorities.<sup>8</sup>

It is unwise to impose debt limitations on local governments by state law because they have not been effective in preventing the accumulation of obligations. There arises a constant demand for modifications of statutes, or for amendments to the constitution if such limitations are provided. Furthermore, evading the law is made possible by numerous methods such as

<sup>6</sup> Reported in *National Municipal Review*, August, 1933, p. 355.

<sup>7</sup> A majority vote will permit it to go as high as 7 per cent; over this figure a three-fifths vote is required.

<sup>8</sup> See John F. Sly, and George A. Shipman, "West Virginia S. O. S.," *National Municipal Review*, November, 1933, pp. 548-554.

raising the assessed valuation of property and the creation of additional governmental units as sanitary or road districts.

If the law requires a majority vote of taxpayers to make improvements through bond issues, non-taxpayers are denied the right to determine this type of improvement; or if all qualified voters may decide the question, then non-property taxpayers are in a position to vote additional burdens on those who own property. The point is a serious one, in view of the great dependence of local governments on property holders for revenue, and the fact that in numerous jurisdictions, property taxpayers constitute a small minority.

Indiana perhaps exercises more supervision over local finances than does any other state. Certain limitations are imposed on debts as well as tax levies and rates. The law of 1919 gave to the State Board of Tax Commissioners the absolute right to supervise and to control the finances of all local governments in the state. All proposed tax levies and bond issues had to be approved by the central office. From the counties and cities, however, came the cry that home-rule was destroyed and the law was repealed in 1930. Later laws re-established state control over all local jurisdictions. Any ten taxpayers in a district were permitted to petition the State Board to review budgets or bond issues proposed by local officials. A hearing was then arranged to be held in the county where the complaint arose, after which the State Board had the power either to approve or disapprove any item in the proposed budget or bond issue. Its decisions were final.

In 1932 and 1933 the law was modified by the creation of a "County Board of Tax Adjustments" and tax rate limits were fixed at \$1.00 per \$100.00 of assessed valuation for counties and \$1.50 for incorporated cities and towns. There are seven members on the County Board, six of whom are appointed by the Circuit Judge of the county. Local officials prepare budgets on forms prepared by the State Board of Accounts, and the County Board has the power to change the levy of any taxing unit. Five of the seven members may vote to exceed the tax-rate limits if an emergency is declared to exist. Any decision of the County Board, however, may be appealed to the State Board if ten or more taxpayers subject to the tax so desire. Conclusions reached by the State Board on the petition are final.

One of the outstanding results of the "Indiana Plan" of

control has been to make the budget respectable in the state. Without the guiding influence of experienced persons, costly errors may enter into budgeting. Appropriations may be illegally made; accounts may be entered incorrectly or in a misleading manner; unauthorized and unnecessary expenditures may be included; revenues may not be listed properly; and tax rates may not be correctly computed. For example, a budget was once advertised in Marion County (in which Indianapolis is located) showing \$300,000 less than the correct amount. The fact that the State Board is always available to hear protests of any ten taxpayers has wide influence on those who formulate the budgets.

While the number of protests coming from the tax districts has not been as large as was expected, the State Board feels the plan is successful in that the threat of disapproval has undoubtedly prevented local politicians from attempting "wild-cat" expenditures and unnecessary bond issues.

In a broader aspect, the plan has certain advantages. The State Board tends to look on with an objectivity not to be had by local officials. It can take an over-view of all the budgetary demands on the same people and wealth and apportion tax rates in a more equitable manner. The value of this service is limited, however, since only a small portion of all tax units present appeals to the central office.

Grave problems arise in the operation of the Indiana law. It is unlikely that the State Board can understand the exact requirements of localities scattered throughout the state. The needed amounts for salaries, supplies, overhead costs, equipment, and special expenditures peculiar to a district present difficult questions in checking the budgetary items. Services needed in one community may be unnecessary in another and they may have different unit costs justified by local conditions.

Furthermore, the State Board has no power to force local districts to increase receipts in order to prevent deficits. Temporary loans, sinking funds, and debt payments may be ignored, and the central office has no power to interfere. For example, in 1928, the city of Indianapolis omitted from its budget an appropriation to cover a deficit which later necessitated issuance of \$1,220,000 in bonds. At the same time, several instances have occurred where budgets were pared down in order to re-

duce taxes while deficits continued in sinking funds of those districts.

While state officials generally have expressed satisfaction over its operation, the success of the Indiana plan is still a moot question. The modifications of 1932 and 1933 may remove some of the weaknesses. Several observers have commented that experience in that state indicates conclusively that the same result may have been obtained without the mandatory supervisory provision.<sup>9</sup>

Legislation requiring budgets of all subdivisions—county, city, township, village, and district—has increased during the depression. In 1933 a survey showed that 33 states require budgets of certain local units. While the requirement is applicable to counties in 28 states and to municipalities in 26, only 11 of these prescribe budgets for both counties and municipalities with forms sent out by the central agency.<sup>10</sup> In the Southern district budgets of a sort are required in Alabama, Florida, Kentucky, Mississippi, North Carolina, Texas, Virginia, and West Virginia. Further evidence of increased interest in the subject is shown by the number of studies made by states recommending budgets for all taxing units.

Strikingly enough, there is little uniformity in the laws regarding the structure and use of budgets. Some states require different forms and procedures for the various types of local government in several statutes; others enact laws governing specific tax districts when malpractices in them occur; while a few prescribe a uniform system for all units in a single act. One of the best county budget laws is found in North Carolina, but municipalities are omitted. Massachusetts did not include all towns until 1929, several years after the original statute was enacted. Ohio has one law applying to all local units.

Another feature of budget laws is that not all agencies handling money are included. School districts generally do not come under the provisions. Park, library, and utility funds are often omitted, though there is no valid reason for so doing.

<sup>9</sup> For discussions questioning the success of the Indiana plan, see Wylie Kilpatrick, "Tax and Expenditure Control," reprinted from *New Jersey Municipalities*, December, 1931, and January, 1932; and the review by R. M. Page of Claude R. Tharp, "Control of Local Finance through Taxpayers' Associations" (in which the author defends the plan), *National Municipal Review*, August, 1933, p. 396.

<sup>10</sup> The eleven states are Arizona, Indiana, Kansas, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Texas, and Washington.

All funds, from whatever source received, should be brought under budgetary control. In fact, capital outlays and tax levies to retire them ought to be included. A real budget is one which considers both raising and spending funds from all sources.

Whether the state agency is authorized to enforce the use of budgets in local government or not, the chief functions of the central bureau should be educational. A co-operative spirit, determined to a great extent by personnel, must be developed between the two offices if the greatest service is to be rendered local governments. A dictatorial policy from the state office has caused many a well-written law to become worthless in results accomplished. Furthermore, a true budget is progressive and not static; it grows and develops at the same time. Supplementary schedules and reports must be issued to include programs not anticipated by the original budgetary act.

Considerable interest is being evidenced in uniform accounting and financial reporting for all local governments. While only a few states provide for such a comprehensive system, many have taken steps in that direction. Twelve states of the 48 may be said to have effective plans for county reporting of financial statistics, and most of these include uniform accounting. Several others collect certain data from these local units. On the other hand only 10 states have effective reporting systems in operation in all municipalities, and only a few of these have established uniform accounts.<sup>11</sup>

Interest in the subject also is shown by the large number of governmental studies in other states which recommend development of accounting and reporting procedures. This has been particularly true of investigations made in the South. The Tennessee Tax Commission in 1930 recommended that cities and counties in the state be required to file complete and accurate reports on receipts, disbursements, debts, condition of the sinking funds, and other relevant data with some central agency, and urged a greater accounting control.<sup>12</sup> Studies by Langston Hawley<sup>13</sup> and the Institute for Government Research<sup>14</sup> for Ala-

<sup>11</sup> For a more complete study, see Haygood, *ibid.*

<sup>12</sup> Special Tax Commission, *Tennessee Taxation and Public Finance*, 1930, p. 8.

<sup>13</sup> Langston Hawley, *A Survey of Accounting Procedures in the County Governments of Alabama*, Bureau of Business Research, University of Alabama, 1932.

<sup>14</sup> Institute for Government Research, *County Government in Alabama*, 1933, Vol. 5, part 4.



bama have stressed the needs for uniform accounting and financial reporting in counties. Professor Lutz, after a survey of the revenue system of Georgia, recommended "that the Legislature provide for the installation of a system of uniform local accounts and that the state auditor be given authority to prescribe these accounts, compel their installation and use, and audit them regularly."<sup>15</sup> Another study of the state called attention to the lack of available governmental data.<sup>16</sup>

The Tax Commission of Mississippi expressed the opinion that a permanent solution of the fiscal difficulties of that state (or of any other state) would not be found until public revenues and expenditures are controlled, and stated that the first step in the process was accounting. The Commission suggested that the state auditor be permitted to establish a system for both counties and municipalities, and to require "these political subdivisions to furnish semi-annual reports showing the true financial condition of the unit making the report."<sup>17</sup>

In North Carolina the Institute for Government Research in 1931 found that "an increased demand is prevalent throughout the state for uniform accounting systems in all counties. Uniform systems for reporting financial information are much to be desired. Comparisons of the operations of different counties will unquestionably provide means to reduce governmental costs."<sup>18</sup> That year a law created a Director of Local Government who is authorized to require subdivisions of the state to use a uniform accounting and reporting system, a uniform classification of revenues and expenditures, and budget blanks.

The State Auditor of Public Accounts in Virginia is required by law to prepare and publish annually a statement of the comparative cost of political subdivisions with suitable analytical tables, explanations, and comparisons. The uniform accounting system imposed on all counties enables the state auditor to perform satisfactorily his duties of reporting for those units; the uniform law, however, does not apply to other jurisdictions, and data for them are incomplete, according to the state office.

Without uniform accounting for all units of government, it is difficult to secure comparable financial data for reports. Even

<sup>15</sup> Harley L. Lutz, *Georgia System of Revenue*, 1930, p. 120.

<sup>16</sup> Searle, Miller and Company. *Administrative Reorganization of the Georgia State Government*.

<sup>17</sup> *Report*, 1928, pp. 202-3.

<sup>18</sup> *State Centralization in North Carolina*, p. 97.

under a uniform system, the auditor in Virginia pointed out that the accuracy of data is influenced by the fact that the state office is responsible to the Governor direct, rather than to any particular political group or department of state. The maximum degree of independence in financial comparisons is thus obtainable. Furthermore, an independent office finds it easier to get the necessary co-operation from the local offices in both accounting and reporting procedures.

Unless an independent office is given the task, it is difficult under the decentralization existing in most states to determine just which state department should be assigned the duty of preparing reports. With uniform accounting for all jurisdictions, it seems clear that the state auditor or accountant should be chosen. Certainly, the high degree of success obtained in several states, notably in Ohio, bears out this contention. In that state, forms are made for the different classes of taxing bodies, and familiarity with the accounting system suggests the simplest way of collecting and presenting desired data.

Not all states having superior reporting, however, centralize the information in the Auditor's office. Wisconsin, for example, has one of the most elaborate systems developed by its Tax Commission. Not only are annual reports issued, but also frequent special reports. As part of its duties, the Commission prepares annually four series of tables of general fiscal statistics of the counties and municipalities. These series are now complete for several years, and the method of presentation has been such that comparisons may be made easily for that period.

In the few states having effective local reporting, there is no set type of information included in published volumes. Broadly speaking, however, at least four kinds appear: (1) collections, receipts, and accounts due from each and every source; (2) expenditures for all purposes; (3) income from each public service industry owned and operated by a municipality as well as the cost of such ownership and operation, and (4) the amount of public debt of all taxing districts, the purpose for which each obligation was created, and the provision made for payment.

These data, if analyzed and presented in suitable form, are sufficient for comparative and other purposes. Some reports, however, contain much additional, though oftentimes unnecessary, matter. California includes the assessment lists, population figures, and tax rates; Indiana, a roster of local officers, and

statements of securities, funds and beneficiaries; and Iowa, approximately 275 pages of highly detailed information including the number each of gas and electric lights burned all night and those not burned on moonlight nights.

Reports range in length from 35 to 350 pages, but quantity of information does not determine the usefulness. Some of the most valuable are those having few but comprehensive tables and discussions. Since their value lies in the use made of the data by the public, rather than by government officials or students of taxation, the materials should be presented in the manner most suited to the needs of the layman. Unfortunately, only a few are so prepared. Pages and pages of unintelligible statistics so often found are a great waste of time and money.

Experience in Ohio illustrates how widely distributed and valuable reports may be. The chief statistician stated recently that requests for copies come from libraries, schools and colleges, chambers of commerce, banks and other businesses, newspapers, taxpayers' associations, publishers, local and foreign governments, and from the general public.

Promptness of publication enhances the value of reports. Frequency of their issue, however, varies from one to four years. Since financial information issued biennially loses much of its usefulness to the public, annual publication is more to be desired. States preparing the most useful reports follow this plan, and recent surveys of local governments almost uniformly recommend greater promptness than generally is found. One study even suggests dispensing with publication if the tabulations are not issued when current.

Although necessary for an effective reporting system, a uniform date generally is not provided in statutes. Law-makers either do not consider it important or feel that its provision would work hardships on local governments. The statistician of Ohio says that a uniform date for reporting is essential. Experience in California has been most unfortunate, due to lack of uniformity. The Auditor of Public Accounts in Virginia has called attention to this problem in municipal reporting. No uniform fiscal period is fixed by law for the cities and, as a result, "this condition makes impossible the compilation of financial data for purposes of comparison."<sup>10</sup> January, March, June, August, October, and December are all ends of fiscal years for

<sup>10</sup> Auditor of Public Accounts, State of Virginia, *Comparative Cost of Local Governments, 1929-30*, p. 7.

are not the least worthwhile results of effective uniform accounting and reporting; but while the depression has caused many economies to be discovered in state control of local finance, much remains to be accomplished in this field, especially in Southern states.

various cities. Uniform accounting has eliminated this obstacle in reporting county financial data.

Local officials generally do not favor giving up home rule, as they characterize the recent trend toward centralized control of their activities. They especially decry legislation which makes state supervision of local budgets, accounting, or reporting mandatory. Typical of their attitude is that expressed by a committee of the American Municipal Association in a report last year.<sup>20</sup> It recommends that each state establish a bureau of municipal finance with a qualified staff whose purpose "should be to co-operate with municipalities individually . . . to solve common problems in raising the standard of local financial administration." The bureau's policy should be primarily that of education and "assistance should be rendered to a particular municipality in the installation of improved financial practices *only* upon request of the officials thereof."<sup>21</sup> The Committee goes further and states that "not only have plans for drastic control of local finances (such as the Indiana Plan) generally proved failures, but they have been positive deterrents to any progress in the administration of local governments." It is true that some states have been dissatisfied with the results of control laws, but studies show that failures have been most notable in those cases where piecemeal legislation, rather than a single inclusive measure, was enacted, or where penalties for refusal of local officers to co-operate were not provided.

Generally speaking, the trend appears to be wholesome. While the advisability of central checks on local debts or tax levies is open to question, developments in several states prove the value of uniform budgets, accounting, and reporting. Without prescribing the exact items or requiring them to be passed upon by central agencies, states could aid in local financial administration by offering budget forms and procedures to the localities and requiring them to balance receipts and expenditures and provide for capital expenditures. Large savings in money, and the general education of the public in governmental finance

<sup>20</sup> "Financial Relationships between State Governments and Municipalities," *Minnesota Municipalities*, February, 1933, pp. 62-67.

<sup>21</sup> The italics are mine.

by *Millon S. Heath*

## MOTOR TRANSPORTATION IN THE SOUTH

Any endeavor to present at this time a complete picture of motor truck transportation in the South is made ineffectual by the inadequacy of statistical material. With this limitation in mind, the present paper will attempt to piece together sufficient data to outline the more prominent trends now apparent in motor transport and to suggest some of the problems which lie ahead. The discussion is taken up under five headings.

### I. NUMBERS OF TRUCKS AND ROUTES

Registration statistics in the United States for 1932 show the following percentage distribution of motor truck and trailers: Northeast, 50; South, 11; Southwest, 9; West, 20; Pacific Coast, 10. Little of significance is to be gleaned from those figures, except possibly the predominant position of the Northeast, the surprisingly high percentage of the three Pacific Coast states and the four Southwestern states, and the relatively low figures for the South. Therefore, the following table is presented as a basis for comparison.

	NORTH- EAST	SOUTH	SOUTH- WEST	WEST	PACIFIC COAST
	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
Population .....	45	20	10	17	8
Population gainfully employed.....	50	19	9	15	7
Population gainfully employed in industry .....	71	14	3	7	5
Wealth .....	52	11	6	23	8
Value of products added by manu- facture .....	74	8	3	9	6
Railroad ton miles, 1923-26 .....	45	21	7	19	8
Roads: all types .....	25	24	13	34	4
Roads: high types .....	50	20	8	17	5

This table verifies emphatically the tentative conclusions drawn from registration figures above. The dominant position of the Northeast in motor transport corresponds very closely to its dominant position in other aspects of our economic organization.

A surprisingly large number of the percentages are identical with that of truck registrations. On the Pacific Coast the motor transport industry has developed, relatively, far beyond every other phase of economic growth.<sup>1</sup> The Southwest shows almost as great a development. Registration in Western territory is not so far out of line with the general indices, but yet is approximately 20 per cent above the most significant group of percentages.

Turning to the South: if we are to believe registration figures, motor transportation either is much retarded in its development or is relatively unsuited to our transportation needs. Our relative position in the use of the motor truck is only about half as high as our rank in most aspects of economic life. We present a strange contrast to the other agricultural regions. It would appear that we have not made as great use of trucks in the handling of agricultural products as has been made elsewhere. The entire situation is somewhat puzzling. There are many elements which doubtless enter into the situation. But I hazard a guess that our apparent backwardness in adopting motor transportation can be explained by the scarcity of large cities.

Valid inferences from these general registration data, however, must be limited to a few very broad contrasts. They raise questions rather than prove anything. The data defy classification as to use, capacity, volume of freight carried, regularity of operation, and revenues. Some states attempt to collect a good deal of information on these matters in the process of registration and regulation; others do very little. The great weakness in the evidence is the lack of information on contract and private carriers. Only one bit of evidence do we have touching all truck operations and it is not comforting to the investigator: that is, the small proportion which franchise carriers—upon which we have some information—constitute of total trucks in operation. The Georgia traffic count of 1932 revealed that they constitute 3.5 per cent of the trucks actually operating upon the highway. Alabama statistics indicate even a lower percentage of common carrier trucks. At least two contract carriers doing business in that state operate a larger number of trucks than the entire group of franchise lines. In North Carolina, where franchise carriers have had the greatest development among the Southern states,

<sup>1</sup> Also borne out by the testimony of the Southern Pacific Railroad.

we find that they constitute .7 of 1 per cent of total truck registration. Contract carriers constitute 5.3 per cent, and the other 94 per cent are listed only as private trucks. No figures are given as to operations for all groups, but the Department of Revenue hazards an estimate upon revenues that would indicate that the franchise carriers conduct possibly 7 per cent of the operations upon that state's highways. Such information as is available from Florida, South Carolina, and Tennessee would indicate that the business of franchise trucks in those states constitutes a very small percentage of the total. From the foregoing it is clear that the concrete evidence collected by our public authorities, even if carefully done, relates only to a minor group in motor transportation.

As to miles of route, we are surpassed only by the Northeast in the extent of high grade intercity highway. It can scarcely have been a lack of hard-surfaced roads which has held us back. A large proportion of the through routes are now completely hard surfaced, and first class distributing highways radiate for long distances in every direction from all important commercial centers. Such evidence as we are able to obtain from traffic counts shows a vast amount of unused capacity. In few instances does the highway truck movement on our most heavily utilized routes amount to as much as 15 per cent of the density upon important Eastern routes.

## II. COMMODITIES HAULED BY TRUCK

Of course, the most startling recent development in motor transport has been in the growth of those operations which come directly or indirectly into competition with the railroads. As I have indicated, the facts collected by our state agencies throw little light upon this. Fairly dependable statistics and other evidence upon commodities moving by truck are available, however. From this data we can derive a fairly clear idea of the developments in this phase of the motor transport industry.

At one time truck competition was viewed as limited to merchandise, or L. C. L. freight. But that is no longer the case. Some of the most important carload movements in the South have been heavily eaten into by the trucks, and none has entirely escaped.

*Merchandise L. C. L. Freight*

Trucks have continued their steady inroads into all of this type of freight throughout the country. Commissioner Eastman recently estimated that the trucks were carrying 54 per cent of the package business.<sup>2</sup> In spite of the fact that package freight has been increasing in quantity relatively in recent years,<sup>3</sup> it has been the only item in railroad carloadings that has continued to decline during the recent upward movement in railroad business.<sup>4</sup> Though the decline has not been as pronounced in the South as in the West and Southwest, it has been substantial, and this in spite of a general reduction of L. C. L. rates on an average of  $33\frac{1}{3}$  per cent and the institution over a considerable part of the territory of free store-door pick-up and delivery. It is believed by the railroads that the movement away from the rails has been slowed down and in some instances halted by these drastic steps, but little if any L. C. L. freight has been attracted back to the rails.<sup>5</sup>

*Carload Commodities*

Turning now to commodities that have normally moved in large volume in carload lots, we find that the trucks generally throughout the South have entered heavily into the transportation of the following important products: bags and bagging, bakery goods, beverages and beverage preparations, chewing gum, cough drops and confectionery, canned goods of all kinds, cotton, cotton seed and cotton seed meal, drugs and medicines, electrical goods, fertilizer and fertilizer materials, fruits and vegetables, furniture of all kinds, molasses, paper stock, peanuts and pecans, rayon and rayon fibres, rice, sand, gravel and crushed stone, soaps and washing powders, scrap metals, sugar, syrups of all kinds, textiles of all kinds, facing and flooring tile, tires and accessories, tobacco, leaf tobacco and tobacco products, and wood products of all kinds. In certain regions and over certain routes the trucks are also moving large amounts of absorbent cotton, asphalt, automobiles, barrels, cement, containers and packing cases of all kinds, dairy products, coal and coke, green coffee, dyes, forest products of all kinds, grain and grain pro-

<sup>2</sup> Eastman, "Address before Association of Traffic Clubs of America," Baltimore, October, 1933.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Traffic World*, March to October, 1933.

<sup>5</sup> 195 I. C. C. Reports, 45-56.



ducts, iron and steel products, linoleum, marble, newsprint, newspapers, almanacs, calendars and books, packing-house products, poultry and eggs, salt, caustic soda, and tanning extract. Southern railroads have reduced carload rates on the average about 30 per cent on a large number of commodities, including all of those I have just mentioned and many additional ones. On such vitally important commodities as beverage preparations, confectionery, condiments, cotton, molasses, syrups, and sugar the reduction has been in the neighborhood of 50 per cent. The rates on practically all canned goods, cured fish, and a large number of vegetables have been reduced to from 35 to 45 per cent. But in spite of these frantic efforts there is no evidence of any substantial return to the rails.

There are no exact data on truck transportation of most commodities, but fortunately reasonably reliable information is available upon a fairly representative group including some of the most important ones. Trucks have probably made their heaviest inroads into the cotton movement. Between 1925 and 1930 rail tonnage of cotton declined 48 per cent although the cotton crop was considerably larger in the latter years. Practically all cotton delivered to mills within a radius of 100 miles moves by truck. Receipts at all of the ports show a pronounced trend toward the trucks. Of the combined truck and rail receipts at Pensacola the truck deliveries increased from 40 per cent in 1929 to 92 per cent in 1930. For the same period at Mobile the increase was from 6 per cent to 38 per cent. Cotton trucked to Savannah increased from 4,500 bales in 1928 to 45,000 bales in 1929. The Norfolk Southern's cotton tonnage to Norfolk, Virginia, dropped from 68,000 bales in 1926-27 to 6,000 in 1929-30. In the same period the Coast Line's tonnage to the same port dropped from 192,000 bales to 22,000 bales. The Seaboard's tonnage into Charleston, South Carolina, dropped 80 per cent in 1929. Truck deliveries at Texas ports increased from .6 of 1 per cent in 1924 to 15 per cent in 1929, 30 per cent in 1930, and 45 per cent in 1931. At Corpus Christi in 1930, 62 per cent arrived by truck. Truck deliveries at four Texas ports in that year cost the railroads \$3,000,000 of revenues. They have declined somewhat since 1931 with the drastic restrictions on size and weight inaugurated under the recent law. Truck deliveries constituted 22 per cent of all receipts at New

Orleans in 1931-32. In the same year at Memphis they accounted for 31 per cent of the total.

Although accurate statistics are not available on the commodities involved, something should be said, in connection with the trucking of cotton, about backhaul. Cotton has always been considered as primarily a one-way truck haul. The service is performed almost entirely by contract carriers. During the last three or four years, however, the trucks have developed a very large return haul from the ports in sugar, canned goods, syrup, groceries, newsprint paper, cement, bags and bagging, nails, wire, and other iron and steel articles. From the Texas ports automobiles are carried inland on truckaways equipped with a special body for carrying cotton as a backhaul to the port. While the railroads have reduced cotton rates 50 per cent, in some instances—notably sugar—they have reduced rates on these backhaul commodities even more. And on the whole they have not been very successful so far in inducing their return to the rails.

Four years ago outbound fertilizer shipments moved practically all-rail. This year 31 per cent—1,000,000 tons—has moved by truck. Several large plants which shipped entirely by rail two or three years ago use nothing but trucks today.<sup>6</sup> The development of truck and truck-steamer service in the Florida citrus fruit movement is equally remarkable. Thirteen and three-tenths per cent of the entire crop—6,783 carloads—left Florida by truck last year.<sup>7</sup> The cities of New York, Philadelphia, and Boston received 9,000 carloads, or 40 per cent of total receipts, by truck-steamer route.<sup>8</sup> Over 37 per cent of last year's crop moved by truck or truck-steamer routes. Substantially all of the Maryland and about 25 per cent of the North Carolina 1930 peach crops moved by truck.<sup>9</sup> A survey by the Atlantic Coast Line in 1930 indicated that 36 per cent of fresh berries shipped from points on its system moved by truck. In canned fruits and fruit juices the same surveys gave the trucks 65 per cent of the business.<sup>10</sup> Although statistics of the type just given are not available for the fruit and berry crops of other sections of the South, other evidence amply indicates that the trucks

<sup>6</sup> *Exhibit 101*, I. C. C. Docket 26000.

<sup>7</sup> *Exhibit 60*, I. C. C. Docket 26000.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Exhibit 55*, I. C. C. Docket 26000.

<sup>10</sup> *Senate Document No. 43*, 72nd Congress, 1st Session.

move equally high, and in some instances much higher, proportions. The same is true with respect to fresh vegetables in several sections. Various reliable sources give the trucks 35-50 per cent of the packing house and dairy products, 40-50 per cent of the peanuts, 60 per cent of crushed stone, sand and gravel, and 55 per cent of merchandise.

### III. LENGTH OF HAUL

The railroads, believing their own long-standing contention that trucks are economical only for short-distance operations, when they began instituting free store-door delivery assumed that truck competition ceased beyond relatively short distances and limited free service accordingly. One hundred and sixty miles was one of the favorite early limits. Later that was boosted to 260 miles, then to 300 miles, and recently several railroads have established unlimited free delivery. Because of the innumerable factors involved and the uncertainty of new developments, it is unsound, I believe, to set up any theoretical limits to truck operations. On the whole in Southern territory their movements have been controlled by the same factors that have controlled railroad shipment—the natural route of the commodity, physiographical features, and market competition from other producing and distributing centers.

The range of truck operations appears to be fairly generally 300 miles. But take a look at Southern distributing centers: the Virginia cities, the South Atlantic ports, the Gulf ports, the Ohio River crossings, and the great interior jobbing centers such as Atlanta, Birmingham, Nashville, and Chattanooga. Their natural marketing areas have a radius of about 300 miles. That has been the radius of a large percentage of rail shipments in the past. And it is true of a large group of truck operations today. Of course, the trucks have taken short-cuts and have utilized some nearer sources of supply that have hitherto been inaccessible because of the rail structure. On the other hand, the trucks have been excluded from much traffic by physiographical obstacles which the railroads have overcome. As the trucks have paralleled the rail movements within the South, so have they also tended to follow them in interterritorial movements. Trucks loading textiles, cotton tire cord and fabric, and aluminum plate coils in Georgia and the Carolinas deliver them 800 and 1,000 miles distant in the East and the Great

Lakes region and bring back loads of dyes, tires and accessories, electrical supplies, and machinery.

Turning to commodities which move in large quantities, we find wide variation. The movement of logs in the eastern Carolinas and in western North Carolina, Tennessee, Virginia, and West Virginia appears to be restricted to about 75 miles, although there is some hauling for longer distances. Coal in Kentucky, East Tennessee, and Alabama moves mostly within a radius of 150 miles. Virginia apples move mostly within a radius of 200 miles, but there is some trucking up to 300 miles and beyond. Some fresh berries and vegetables move 400 miles on overnight trips. Grapes from Arkansas are distributed up to 600 miles, while some fresh fruits and vegetables from the same state move 700 miles. Watermelons and citrus fruit have been trucked 1,400 miles to some Colorado points. Florida citrus fruit is distributed by truck over 500 miles, and there are important return shipments from Birmingham, Memphis, Nashville, and upper North Carolina points. Cotton, east of the Mississippi River, seldom moves more than 300 miles by truck because there is no place for it to move any further than that; but in the Southwest, while the bulk of the cotton movements falls within the 350 mile radius, some quantities reach the Texas ports from Oklahoma, 500 miles distant. What information there is on the development of overnight deliveries of various types in the South indicates that that type of service is now quite general up to 300 miles. The Southern Pacific Railroad also reports that there is a growing tendency of wholesale houses in the Southwest to extend their own truck deliveries to wider areas.

Here, then, is a wide range of actual distances traversed by trucks, covering, for a large and important group of commodities, every length of shipment that any of them normally is likely to require. Improvements in truck construction have removed previous limitations. What is the economic length of haul is determined by various factors such as: distance between large cities, density of population, volume of production, and available backhaul. The latter, i. e., the load factor, is probably the most important. There is abundant evidence that trucking companies operate very profitably over distances up to 1,000 miles where they are able to obtain capacity or near-capacity backhaul.

## IV. SERVICE

The superiority of the motor vehicle in a wide range of transport operations in and around our congested urban areas is acknowledged by everybody. Greater flexibility in movement, greater adaptability to the convenience of the shipper, and greater speed have given motors this advantage. On the other hand, it is almost as generally conceded that, other things being equal, the rail line haul is the most efficient form of medium and long distance transportation for most types of freight. But at present the efficiency of the line haul is offset by the inefficiency of the terminal movement. Much freight has to be collected at inconvenient times and places. Then the railroad is slow getting it out of the terminal. Later, it is held up in its progress through or around other terminals.

The motor truck, with a highway speed but little less than the railway train and an enormous advantage in terminal operation, is able to perform a superior service in the transportation of a very large number of commodities up to rather long distances. Its peculiar advantage is in picking up the freight at the shipper's convenience and getting it in transit immediately. This is particularly true with respect to loading after office hours. Firms may accept orders up until the last minute before closing and make overnight delivery by truck anywhere within a radius of 300 miles. The same elements of convenience are secured also by receivers of freight. Wherever the element of time is a consideration trucks hold an advantage even for long distances. Trucks loaded with 45,000 pounds of tires in Detroit make deliveries in Atlanta in two days less than the railroads.<sup>11</sup>

Another important aspect of truck service relates to dealers' inventories. Truck deliveries have enabled the dealers to obtain shipment on small lots at low rates, thus eliminating heavy interest and storage charges, deterioration, and forced sales. The dealer can carry a much wider variety of goods without multiplying stocks on hand unduly. Turnover can be speeded up.

We are living in a variety civilization. We have forsaken our old side-meat and potato diet and our drab blue woolen suit. Those things belonged to the carload civilization in which many

<sup>11</sup> Senate Document No. 43, 72nd Congress, 1st Session, 42.

railroad men think they are still living. We are developing a package civilization—yes, and a fresh package at that. Trucks are simply more adaptable to the needs of a package way of life. It is surprising how far that extends into commodity movements that we still are accustomed to think of only in car-load or even trainload units. I well remember as a boy that we had to lay in our winter's supply of coal when the local dealer received a car. Now consumers in many such communities receive their winter's supply one ton at a time by truck, direct from the mines.

There is yet another advantage of truck service, which combines elements of both cost and convenience. I refer to the elimination of multiple handlings. In this age of paralyzing complexity any instrument which eliminates operations is a godsend to him who can utilize it. Costs being equal, he would certainly choose the method which involves the fewest processes.

Lastly, truck operators have a personal contact with their patrons and are able to perform many personal services which cannot be performed by the railroads.<sup>12</sup> Trucking is a personal service involving even the personal attention of an individual to each truck load throughout its movement. This also reduces damage and loss.

#### V. RATES

There is no exact information upon truck rates in general in the South. Such evidence as exists indicates that they are customarily lower than corresponding rail rates, that they are invariably lowered when rail rates are reduced to meet them, and that there is no uniformity among truck rates except where states require publicity and uniformity for common carrier trucks as in the case of Texas and South Carolina.<sup>13</sup> The South Carolina investigation of 1931 revealed that no two carriers in the state charged the same rate, that they were operating on a "hit-or-miss" basis with one or two exceptions. Texas requires common carrier trucks to charge the local rail rates, while South Carolina requires the use of the local rail rates plus 10 per cent. Contract carriers throughout the South are unregulated, and rates are private matters known only to the parties to the contract. Such information as can be obtained indicates that

<sup>12</sup> *Senate Document No. 43*, 72nd Congress, 1st Session, 41.

<sup>13</sup> *Ibid.*

they approximate or range slightly under railroad rates. Much usually depends on the intensity of competition among the truckers themselves as to whether their rates are much below rail rates. Where truck service is unusually advantageous, rates frequently range considerably above rail rates.

## VI. REVENUES

Such figures as we possess on this score are pitifully inadequate. In most Southern states the common carrier groups, on which returns are required, are composed of small one-truck concerns. Often no reports are made from many of the concerns for some unexplainable reason. The North Carolina State Department of Revenue, which licenses all trucks operating in the state and obtains accurate figures upon gross revenues of common carrier trucks, estimated total truck revenues within the state for the past year to be \$16,274,199.42, divided as follows: common carrier trucks, \$1,814,918.42; contract trucks, \$9,878,361; and private trucks, \$4,580,920. This amounted to 33 per cent of the railroad revenues allocated to the state for the same period. If North Carolina can be taken as a typical Southern state, which some of our best authorities who have made extensive studies of Southern transportation contend, and which may be more questionable if the North Carolina Department of Revenue's figures may be accepted as reasonably true, motor transportation in the Southern states east of the Mississippi would be performing \$120,000,000 worth of revenue business annually, or 38 per cent of the gross receipts of Class I Southern railroads. In the Southwest the corresponding truck revenues would be \$90,000,000.

Let us turn now to a consideration of some of the prominent trends and the likely problems which lie ahead. This is the most interesting phase of the question, but space limitations restrict me to a few general observations and also probably to a minimum of errors of prophecy.

The first group of developments which I wish to consider are those which are affecting marketing methods. Every place a commodity has to be handled there tends to spring up a specialized group of handlers. The combination of transportation agencies, jobbers, financial agents, brokers, commission agents, handlers, retailers constitute the route from producer to con-

sumer. The railroads at first supplemented the routes outlined by the then dominant water lines. Then the railroads proved their greater flexibility and economy and replaced most of the water-determined routes with new rail routes. The railroads are to be credited with further reducing handlings, and therefore costs, through consolidations, standardization of equipment, car-interchange, through bills of lading, reconsignment, and processing in transit. As has already been indicated in the development of the railroads, a new method of transportation may compete not only with the entrenched transport agency but also with the entire marketing structure, or at least parts of it. In other words, it establishes a new marketing route. This is what trucks are doing in numerous instances. The railroads have tended to lose their early flexibility—especially in terminal operations. The great urban centers which they have built up have tended to close in on them like a vise. Costs have risen. Industry has been retarded. Motor transportation, though still in a crude stage, has thriven upon this situation.

In the South not only railroads but great city markets and communities of brokers and handlers have been entirely eliminated from the cotton marketing process as the trucks haul the cotton direct from gins and compresses to mills and ports. Fruit and vegetables are delivered direct from grower to consumer or retailer. In Kentucky, east Tennessee, and Alabama, direct deliveries of coal from the nearest mine to the consumer eliminate the railroad, the coal dealer, two handlings, and storage costs. The truck operator combines in one person transportation agent, jobber, and retailer. He has been pictured as irresponsible, illegitimate, unfair, and unscrupulous. But he has been too successful with his small capital, indifferent equipment, and naive methods not to indicate that a vast development of these new routes will come into existence as business ability, capital, and organization are launched into this new enterprise, as inevitably will be done and already is being done in several sections of the United States.

The second development that I desire to call briefly to your attention is the coordination of motor and water transportation. In many instances today they are quoting joint rates. The superiority of the truck in short hauls is combined with the cheaper long distance service of the steamship. Due to the speed of the truck at origin points this new combination often is able to give



service as fast as or faster than the railroads. A half century ago the railroads, with their greater flexibility, their short-cuts and speed, were able to draw industry and commerce inland away from the waterfronts and thus starved out the water carriers. The truck is now bringing a great deal of that commerce back to the water. The most significant truck-steamer developments in the South have been in Florida citrus fruits, coal and steel products in Alabama, peanuts and tobacco leaf in eastern Virginia and North Carolina, wood products and hay in Mississippi, sugar through Norfolk and Savannah, Florida bulbs, and canned goods, cotton, grain, and grain products at numerous points throughout the South.<sup>14</sup> Florida especially has proved a lucrative field for them. The tremendous development of motor-water transportation—in lumber, canned goods, and fresh fruits—on the Pacific Coast may indicate one of the prominent future trends in Southern transportation. This growth on the Pacific Coast is one of the chief reasons for that region's leadership in truck utilization. The West Coast and the South are so similar in products, climate, and relation to potential water routes that this development in Pacific motor-water transportation may carry significant prediction for us.

The next development to be considered is largely the direct result of truck competition with the railroads. At last the railroads are turning to the utilization of motor trucks in the performance of the service of transportation through the establishment of store-door pick-up and delivery. The move has been forced upon them and is too generally viewed merely as a device to meet the trucks, rather than as the natural combination of two agencies whose coordination secures the most effective use of each. At first the rails were inclined to limit free store-door service to short haul L. C. L. merchandise. The tendency now is to extend the limits and even to abolish them. And in the case of the St. Louis-Southwestern Railroad, unlimited free store-door service includes both C. L. and L. C. L. shipments.<sup>15</sup> The Missouri Pacific is establishing highway truck lines between points on its systems in order to shorten rail hauls and speed up service. In two instances it was able to save 24 hours in shipping time and recover 90 per cent of the traffic previously

<sup>14</sup> *Exhibit 112*, I. C. C. Docket 20000, Pt. 10.

<sup>15</sup> *Railway Age*, March 25, 1933, pp. 452-454.

lost to the trucks.<sup>16</sup> The largest development of railroad-truck operations has been in the Southwest. Practically every railroad has offered some form of store-door service since 1929. Most of the roads report satisfactory results. Some are enthusiastic. The M. K. and T. reports steady growth of L. C. L. business. Their trucks handled 52 per cent more freight the first quarter of this year than the average for 1930. Overnight truck-rail service between important points now enables them to make deliveries in fewer hours than the highway trucks.<sup>17</sup> The record of the Cottonbelt is even more impressive. These roads show vast increase in speed, lowering of costs, improvement of service, and expanded tonnage.<sup>18</sup> There has, of course, been complaint from some railroads that those that have made such good records are taking more freight from other railroads than they are from the trucks.

The experience with store-door delivery in the South is too recent to furnish any significant conclusions. The L. and N. and five affiliates and neighboring roads established free store-door service on shipment up to 230 miles in March of this year. Free service has since been made unlimited, and the L. and N. reports satisfactory progress.

Universal store-door delivery is certain to come. Many railroads have been half-hearted about it for various reasons. It favors less strategically located railroads and destroys favored terminal positions. It breaks up long-established rate structures. It requires heavy investments to replace expensive capital outlays only recently made in many instances or else expensive contracts which will reduce this capital equipment to idleness. There is also the hope that legislation will put a stop to truck competition, at least in its most devastating forms.

Yet another development which I wish to mention is only partly associated with motor transportation. I refer to rail-water service. Rail-water rates have long been in existence, especially in the South. They have represented competition with other routes utilizing all-rail service. But in recent years new types of rail-water service have been inaugurated, I think we may say, wholly against the railroads' wishes. One such is the rail-barge line service forced upon the railroads in most instances

<sup>16</sup> *Ibid.*

<sup>17</sup> *Railway Age*, August 26, 1933, p. 318.

<sup>18</sup> *Railway Age*, March 25, 1933, pp. 452-454.

by the state laws or the Transportation Act in 1920. Sometimes it has been initiated by weaker railroad lines to build up tonnage at the expense of stronger lines. This has been true on the Ohio and Mississippi Rivers. Again, as in Florida, rail-water rates have been established in a desperate effort to meet truck-water competition. These rail-water rates are offered most reluctantly because they force the railroads to short-haul themselves excessively. Still another type of rail-water service is that instituted by the Missouri Pacific system in conjunction with the Seatrain Company. This is a rail-ocean ferry-rail combination. At present the ocean ferry operates between New York and New Orleans and Havana, Cuba. This competes with the through rail route and the truck-steamer-truck route. It is now extensively used by lumber and wood products manufacturers in Arkansas and Louisiana for shipments to the Northeast.<sup>19</sup>

The last development in coordination to which I wish to call your attention is the truck-water-rail route. The recently established combination on Florida fruit to destinations on the St. Louis-San Francisco lines is a case in point.<sup>20</sup> Fruit will move to Tampa by truck, from Tampa to Pensacola via the Bull Steamship lines, and from Pensacola to destinations over the Frisco lines. This route will be directly competitive with the all-rail route. The rate will be lower.

Let us turn now to a summary view of the many new trends and developments that motor transportation has introduced. Will the motor trucks displace the railroads in the South? That may even appear to be a preposterous question. And yet Southern railroads operate under rather peculiar conditions. They have low traffic density. A rather unusually large percentage of this traffic is made up of low grade, low revenue yielding commodities. The balance is a light volume of fairly high rated commodities, all of which are adapted to truck movement. There is some question in my mind whether Southern railroads as a group could operate and maintain anything like their present efficiency and wage levels if the trucks should take from them their high rated commodities, or should force a substantial reduction in the rates on such commodities. It seems inevitable that truck competition will increase in severity unless legisla-

<sup>19</sup> *Exhibit 35*, I. C. C. Docket 26000.

<sup>20</sup> 194 I. C. C., 445.

tive action prevents it. The factors favoring motor transportation in the South are too impressive. First, motor transportation favors the principle of natural advantage over the value of service principle. Some of the railroad people have charged that it discriminates in favor of the short haul. The effect of railroad development has been to tend to eliminate or very much modify natural advantage. Especially has this been true in local rates and terminal operations. Therefore the trucks have struck them in a highly vulnerable spot. It is well known that the Southern railroad rate structure was built up on the value of service principle and still retains many important elements of that principle. Local class rates, both L. C. L. and car-load, are relatively high, and jobbing areas are not large. The superior adaptability of the truck to the principle of natural advantage would seem to indicate a much larger development for them in the South. I am not arguing in favor of either principle. There is no absolute sanctity in either position. The railroads developed what was an efficient organization for a railroad economy. Trucks happen to combine certain other elements—elements that the railroads found unable to utilize economically—which present a more effective set-up in some aspects of transportation. The efficiency of a set-up is the test of its social validity.

Another advantage of the truck inheres in the layout of the Southern rail network. Most of the railroads enjoy a high degree of monopoly at local points. This is the inevitable result of railroad construction and organization in a region of light tonnage. Also the railroads, under these conditions, are likely to maintain a rather high level of local rates. This situation attracts the trucks which offer competitive conditions and lower rates.

Yet another advantage is that practically all of the Southern commodities are suitable for truck service. The result is that the trucks pick and choose and leave the less desirable movement to the railroads. A case in point is livestock. In the West, where volume is obtainable, livestock is much sought for by both railroads and trucks, but the trucks are taking the business. In the South, there is some demand for livestock shipments everywhere, but no large volume anywhere. It requires special equipment and handling methods, with the result that neither trucks nor railroads desire to bother with it. But the trucks leave it

alone, and the railroads have to furnish the unprofitable service. On the other hand, the trucks have cut heavily into packing-house products moving in from the outside in large volume.

Lastly, the trucks may utilize the waterways to meet the railroads where the latter have the advantage on the long inter-territorial hauls, while the railways cannot quote competitive rail-water rates without short-hauling themselves and entering into local haul competition with the trucks, in which realm the trucks enjoy their greatest superiority.

A second question which involves in part the answer to the query we have just been discussing is the future of regulation. Thus far regulation involving motor transportation has been wholly a state matter. It has been of four types, which in Commissioner Eastman's words are: (1) regulation which has for its purpose the protection of the safety, convenience, and purse of the public in the use of the highways; (2) regulation of wages and working conditions; (3) that which has to do with taxation, license fees, and the like, and (4) regulation of the type embodied in the Transportation Act, 1920, which has for its essential purpose the protection of the using public, directly and indirectly. It is the point of view of the last type that I have attempted to present in this paper. Therefore, any conclusions which I shall attempt to draw about the future trend of legislation will be restricted to the last type. I think the other three types are largely problems for technicians; the test to be used should be the standards adopted in the regulation of other public utilities, with proper modifications for peculiarities of the industry. All other elements are really involved in the latter type of regulation. The questions which arise under this broad heading, however, are not easy of solution because you are dealing with a dynamic industry and the probable displacement of large established interests. The potentialities of the truck are still undefined. Society has a vast stake in the railroads, directly—as shipper, laborer, investor, tax-gatherer; indirectly—in the general economic and social fabric which has grown up around the railroads. The test must ever be the public interest. We are inclined to sympathize with vested interests and shift our social responsibility, even for their welfare, by accepting their rule of self-protection. The static position, the static solution are comfortable—both individually and socially. The railroads have been frightening communities out of their wits by

the bugaboo of lost taxation. Of course, one element in public policy should make certain that new economic agents shoulder the burden of taxation laid down by the displaced agency. Problems of wage costs and displaced labor should be treated in the same manner. "Reasonable" and "public interest" are very flexible terms, and their elasticity should be made use of, but without favoritism.

We need more facts. Regulation without information and constant study is futile. The Federal government is going to take over complete regulation of all our economic life by default unless communities and states get to work on the problem. Responsibility, as a pragmatic matter, almost invariably comes to those who inform themselves about the matter in point.

It seems to me that here in the South we are faced by certain very serious facts. It is doubtful if we shall ever be a region of heavy commodity movements. Therefore it will be difficult for us to maintain as elaborate a transportation system as regions like the Northeast. Large volume means low costs and low rates. Therefore we are included in an economic group which contains a region of lower transportation costs that affect us adversely in so far as we are in competition with them. Hence we must appraise very carefully any agency which offers lower costs. However, we are quite dependent upon the railroads for some commodity movements, notably coal, which cannot be economically distributed generally in the South by either water or truck.

## BOOKS

*Economic History of the South*, by Emory Q. Hawk. New York, 1934. Prentice Hall. 557 pp.

The appearance of this volume is something of an event to those who have worked in the field of Southern economic development and to others who have wished for a means of presenting the whole subject to their students. Monographic reports have accumulated, some talented observers have furnished suggestive generalizations, but we have lacked inclusive formal treatment. Professor Hawk's book marks an important stage in the growth of the bibliography of the South's economic career.

The discussion follows a chronological arrangement, and is made realistic by a judicious selection of factual exhibits. Besides embracing all important phases of the subject, the book gives expositions of certain periods and developments too little treated in the past. The sections devoted to ante-bellum and Civil War finance are cases in point.

The style of composition is straightforward and interesting, leaving the reader in no doubt as to the author's meaning. The references for further study have been chosen with care and present a useful variety of viewpoints. The whole work reveals industrious and wide reading by the author, and ingenuity in selection and combining of materials.

Where there is so much to be praised, it may be unnecessary to emphasize what to the present reviewer seems a lack in the work. This is a pioneer performance, and deserves our grateful thanks. The author was obliged to address himself to many difficult problems—of collection and arrangement of material, of adaptation of statistics, of decisions as to the relative stress to be given different topics. It would have been desirable, however, that the writer indulge himself more than he has done in interpretation. His own point of view in particular instances is not absent, but broader conclusions might have been presented with a gain to the whole. While it is hard to pass judgment, in the form of condemnation or approval, upon a historical process, still we do extract from experience certain suggestions for future social conduct. I do not feel that the author has made the most of his opportunity in contrasting one phase of the South's story with another—for example, the ante-bellum agricultural economy with the subsequent development of a variety of pursuits depending upon free labor. There are here valuable pointings for the citizen and the statesman. What should be our policy, in so far as we may judge from the past, toward organized labor, toward private business enterprise, toward tariff protection, toward race relations, toward political and economic nationalism? I do not mean to say that these problems are not broached, or that no guidance upon them is given. Nor do I suppose that the average college student will miss such a philosophy of the South's economic history as I am asking for. The author's sin, if there be one, is of omission, not of commission.

BROADUS MITCHELL.

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